

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ovid Public Library	County Clinton
Audit Date 6/30/05	Opinion Date 8/26/05	Date Accountant Report Submitted to State: 10/3/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Rd Suite 100	City East Lansing	State MI	ZIP 48823
Accountant Signature <i>Abraham and Gaffney, P.C. Aaron M. Janas</i>			Date 9/9/05

**Ovid Public Library
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2005

Ovid Public Library
Clinton County, Michigan
BOARD OF TRUSTEES
June 30, 2005

Mr. Richard Smith, Jr.	President
Mrs. Erin Dutton	Vice-President
Ms. Heather Kline	Secretary
Mr. Kevin VanGieson	Treasurer
Ms. Margo Martin	Trustee
Mr. Art Price	Trustee

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Ovid Public Library
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ovid Public Library as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ovid Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ovid Public Library as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 26, 2005

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

The discussion and analysis of the Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Library's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$476,998 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$18,142 at the government-wide level.
- Total governmental fund balance increased by \$10,947 in the current year at the fund level.
- The final payment of principal and interest was made to the Fifth Third Bank for Library Facility Bonds that were issued in 1995 for building updates, improvements, and additions.
- The change of Internet based material circulation system from Ovid-Elsie Area School's Innovative Interface to the Capital Library Cooperative's VERSO system was completed.
- The water damage caused from the break of a water line was reimbursed from the Library's insurance carrier after a \$250 deductible in the amount of \$10,008.
- The Library's materials collection is constantly being updated with current titles.
- The Library received a grant from Ovid's DDA in the amount of \$996 to complete the tile flooring project for the Library's front entrance.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Ovid Public Library as a whole and present a longer-term view of the Library's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Ovid Public Library in more detail than the government-wide financial statements by providing information about the Library's most significant funds.

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

The Library as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 and 2004.

	June 30,	
	2005	2004
Assets		
Current assets	\$ 101,635	\$ 90,041
Capital assets, net	<u>377,464</u>	<u>425,694</u>
Total assets	479,099	515,735
Liabilities		
Current liabilities	<u>2,101</u>	<u>20,595</u>
Net Assets		
Invested in capital assets	377,464	406,666
Unrestricted	<u>99,534</u>	<u>88,474</u>
Total net assets	<u>\$ 476,998</u>	<u>\$ 495,140</u>

The Library's total net assets were \$476,998 at June 30, 2005. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$99,534 at the end of the fiscal year – an increase of \$11,060 from the prior year. The net assets invested in capital assets were at \$377,464, which was a decrease of \$29,202 from the prior year.

The following table shows the changes in net assets during the years ended June 30, 2005 and 2004.

	June 30,	
	2005	2004
Revenues		
Program revenue:		
Charges for services	\$ 2,857	\$ 3,094
Operating grants and contributions	2,196	2,105
General revenue:		
Property taxes	103,280	96,186
State Aid - unrestricted	2,679	5,291
Penal Fines	38,189	39,391
Interest	839	265
Miscellaneous	<u>13,167</u>	<u>357</u>
Total revenues	163,207	146,689
Program Expenses		
Library services/operations	180,131	135,332
Interest on long-term debt	<u>1,218</u>	<u>2,641</u>
	<u>181,349</u>	<u>137,973</u>
Change in Net Assets	<u>\$(18,142)</u>	<u>\$ 8,716</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Governmental Activities

The Library's governmental revenues totaled \$163,207 with the greatest revenue source being property taxes. Property taxes make up approximately 63.3 percent of total governmental revenue. Property taxes increased approximately 7 percent from the prior year. This increase is attributable to increasing taxable values in the area, as the millage levied for the 2005 fiscal year was actually slightly less than that levied for the 2004 fiscal year. Over the past few years, state shared revenue and county penal fine income have both declined. Miscellaneous revenue increased \$12,810 over the 2004 amount and includes insurance reimbursement proceeds of \$10,008.

The Library incurred expenses of \$181,349 during the year. The majority of governmental expense is associated with the staffing of the Library, which provides all library services. The primary reason for the significant increase in expenses is the loss on the disposal of capital assets of \$30,367.

The Library's Funds

The analysis of the Library's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Ovid Public Library as a whole. The Ovid Public Library's Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Library's major funds for the fiscal year ended June 30, 2005 include the General Fund and the Building Fund.

The General Fund pays for most of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$63,063 for the fiscal year. This was an increase in salaries and wages of approximately \$8,000 over the prior year. Total governmental fund expenditures increased only \$6,082 over the prior year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Library Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of the repairs needed after the water damage to the Library with disbursements from the Library's insurance carrier. However, because the General Fund spent less than appropriated in total, there was an overall favorable variance of approximately \$1,362 from the budget. Of that variance, \$1,330 was due to an insurance reimbursement to cover payroll expenditures during the one week period when the Library was closed. The Building Fund spent more than was budgeted, however, in total it had a favorable variance of \$9,585 from the budget.

Capital Asset and Debt Administration

At the end of the fiscal year, the Library had \$598,505 invested in a broad range of capital assets, including buildings, land, and materials. In addition, the Library has made certain investments in building updates from past years with the issuance of Library Facility Bonds (Bonds) from 1995.

The Library made its final principal and interest payments on the two (2) 1995 Bond issues and at year end had no long-term debt outstanding.

Next Year's Millage Rate

At its regular meeting on June 29, 2005, the Library Board approved certifying a reduced tax levy of .7500 mills (including the County Treasurer's necessary correction) for the fiscal year 2005-2006. This will generate approximately \$80,000. The Library Board adopted an operating budget for the 2005-2006 fiscal year anticipating total revenues of \$126,000 and expenditures of the same amount.

Ovid Public Library

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons, and investors with a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Ovid Public Library Board of Directors.

BASIC FINANCIAL STATEMENTS

Ovid Public Library
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 66,984
Accounts receivable	<u>34,651</u>
Total current assets	101,635
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>377,464</u>
TOTAL ASSETS	479,099
LIABILITIES	
Current liabilities	
Accounts payable	780
Due to others	<u>1,321</u>
TOTAL LIABILITIES	<u>2,101</u>
NET ASSETS	
Invested in capital assets	377,464
Unrestricted	<u>99,534</u>
TOTAL NET ASSETS	<u><u>\$ 476,998</u></u>

See accompanying notes to financial statements.

Ovid Public Library

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Recreational and cultural	\$ 180,131	\$ 2,857	\$ 2,196	\$ (175,078)
Interest on long-term debt	1,218	-	-	(1,218)
Total governmental activities	<u>\$ 181,349</u>	<u>\$ 2,857</u>	<u>\$ 2,196</u>	(176,296)
General revenues:				
Property taxes				103,280
State aid - unrestricted				2,679
Penal fines				38,189
Investment earnings				839
Miscellaneous				<u>13,167</u>
Total general revenues				<u>158,154</u>
Change in net assets				(18,142)
Net assets, beginning of year				<u>495,140</u>
Net assets, end of year				<u>\$ 476,998</u>

See accompanying notes to financial statements.

Ovid Public Library

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General	Special Revenue Building Fund	Total Governmental Funds
ASSETS			
Cash	\$ 55,620	\$ 11,364	\$ 66,984
Due from other funds	-	10,008	10,008
Accounts receivable	34,651	-	34,651
TOTAL ASSETS	\$ 90,271	\$ 21,372	\$ 111,643
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 780	\$ -	\$ 780
Due to other funds	10,008	-	10,008
Due to others	1,321	-	1,321
TOTAL LIABILITIES	12,109	-0-	12,109
FUND BALANCES			
Unreserved			
Designated for:			
Operations and maintenance	10,500	-	10,500
Undesignated, reported in:			
General fund	67,662	-	67,662
Special revenue fund	-	21,372	21,372
TOTAL FUND BALANCES	78,162	21,372	99,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 90,271	\$ 21,372	\$ 111,643

See accompanying notes to financial statements.

Ovid Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2005

Total fund balance - governmental funds \$ 99,534

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 598,505	
Accumulated depreciation is	<u>(221,041)</u>	
Capital assets, net		<u>377,464</u>
Net assets of governmental activities		<u>\$ 476,998</u>

See accompanying notes to financial statements.

Ovid Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2005

	General	Special Revenue Building Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 103,280	\$ -	\$ 103,280
Intergovernmental	2,679	2,196	4,875
Fines and forfeits	38,189	-	38,189
Charges for services	2,857	-	2,857
Interest	695	144	839
Other	182	12,985	13,167
TOTAL REVENUES	147,882	15,325	163,207
EXPENDITURES			
Recreation and cultural			
Salaries and wages	63,063	-	63,063
Payroll taxes	4,992	-	4,992
Utilities	8,569	-	8,569
Supplies	10,779	-	10,779
Repairs and maintenance	4,180	7,531	11,711
Insurance	3,278	-	3,278
Travel and workshops	1,570	-	1,570
State Aid	2,641	-	2,641
O-E Schools	2,661	-	2,661
Miscellaneous	793	-	793
Total recreation and cultural	102,526	7,531	110,057
Debt service			
Principal	-	12,828	12,828
Interest and fees	-	7,531	7,531
Total debt service	-0-	20,359	20,359
Capital outlay			
Materials	18,644	-	18,644
Furniture and equipment	2,250	950	3,200
Total capital outlay	20,894	950	21,844
TOTAL EXPENDITURES	123,420	28,840	152,260
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,462	(13,515)	10,947

Ovid Public Library

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2005

	General	Special Revenue Building Fund	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfer in	\$ -	\$ 23,100	\$ 23,100
Transfer out	(23,100)	-	(23,100)
TOTAL OTHER FINANCING SOURCES (USES)	(23,100)	23,100	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,362	9,585	10,947
Fund balance, beginning of year	76,800	11,787	88,587
Fund balance, end of year	<u>\$ 78,162</u>	<u>\$ 21,372</u>	<u>\$ 99,534</u>

See accompanying notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2005

Net change in fund balances - total governmental funds **\$ 10,947**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 19,127	
Depreciation expense	<u>(36,990)</u>	
Excess of depreciation expense over capital outlay		(17,863)
The net effect of current year disposals of capital assets is a decrease to net assets		(30,367)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:

Long-term debt principal retirements	19,028
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>113</u>
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Change in net assets of governmental activities **\$ (18,142)**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF LIBRARY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under Public Act 24 of 1989, the Village of Ovid and the Townships of Ovid and Middlebury created the Ovid Public Library which is considered a District Library. Public Act 24 defines the Library's legal status as "an Authority under Section 6 of Article IX of the State Constitution of 1963" thereby classifying the Library as a Michigan Municipal Corporation. The Townships collect and distribute property taxes that are levied by the Library. The Library has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the by-laws of the Library.

The governing body of the Library is a board which is comprised of six (6) members; two (2) appointed by the Village of Ovid, two (2) appointed by the Township of Ovid, and two (2) appointed by the Township of Middlebury for a term of four (4) years.

The Ovid Public Library's goal is to provide quality library service to Ovid area residents by improving library service, encouraging educational advancement and personal welfare of Library personnel, and supporting the bill of rights as stated by the American Library Association.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Ovid Public Library (primary government). The Library has no activities that would be classified as component units.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Library as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Library and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the Library.

FUND FINANCIAL STATEMENTS

The governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

The major funds of the Library are:

- a. General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, penal fines, state aid, and other sources.
- b. Building Fund - The Building Fund is a Special Revenue Fund used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes (i.e., building expenditures and debt service payments) by administrative action or bond resolution.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Library before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The length of time used to define "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

Budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the basis used to reflect actual results. The Library employs the following procedures in establishing the budgetary data reflected in the financial statements.

The Library does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Library prepares the proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. Prior to incurring significant expenditures, the budget is legally enacted through Library Board action.
- c. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.
- d. Budgeted amounts are reported as originally adopted or amended by the Library Board during the year.

6. Cash

Cash consists of money market checking and savings accounts.

7. Receivables

Receivables consist of penal fines and property taxes due from other governments.

8. Property Taxes

The municipalities within the Library's jurisdictional territory levy and collect property taxes for the Library. As the Library tax is collected it is remitted by the township Treasurers. At March 1 each year the townships settle their delinquent taxes with the respective County Treasurers' and the unpaid real property tax is remitted to the Library by the County Treasurer in Clinton County and by the Township Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the township Treasurers for subsequent collection. The Library is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. For the year ended June 30, 2004, the Library levied .9543 mills.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment and furniture, and books and are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. All assets with a useful life exceeding three (3) years and with a cost of \$1,500 or more are recorded as capital assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment and furniture	3 - 20 years
Books and other collections	5 years

The Library has no assets that would be classified as infrastructure assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Ovid Public Library is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Ovid Public Library are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Ovid Public Library.

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the library's deposits may not be returned to it. As of June 30, 2005, the carrying amount of the Library's deposits was \$66,984 and the bank balance was \$74,671 which was covered in full by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Library held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Ovid Public Library

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2005</u>
Governmental Activities				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings and improvements	375,787	-	-	375,787
Equipment and furniture	162,933	950	(47,927)	115,956
Books and other collections	<u>83,585</u>	<u>18,177</u>	<u>-</u>	<u>101,762</u>
Totals at historical cost	627,305	19,127	(47,927)	598,505
Less accumulated depreciation for:				
Buildings and improvements	(89,257)	(9,753)	-	(99,010)
Equipment and furniture	(66,351)	(10,520)	17,560	(59,311)
Books and other collections	<u>(46,003)</u>	<u>(16,717)</u>	<u>-</u>	<u>(62,720)</u>
Total accumulated depreciation	<u>(201,611)</u>	<u>(36,990)</u>	<u>17,560</u>	<u>(221,041)</u>
Capital assets, net	<u>\$ 425,694</u>	<u>\$(17,863)</u>	<u>\$(30,367)</u>	<u>\$ 377,464</u>

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the Library for the year ended June 30, 2005.

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>
1995 Library Facilities Bonds, Series A	\$ 11,988	\$ -	\$ 11,988	\$ -	\$ -
1995 Library Facilities Bonds, Series B	<u>7,040</u>	<u>-</u>	<u>7,040</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,028</u>	<u>\$ -0-</u>	<u>\$ 19,028</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE E: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules presented as required supplementary information to the financial statements, the Library's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Library have been adopted at the total expenditure level.

During the year ended June 30, 2005, the Library incurred expenditures in the Building Fund in excess of the amount appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Building Fund	\$ 23,900	\$ 28,840	\$(4,940)

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE F: RISK MANAGEMENT

The Library is exposed to various risks of loss for liability, property, employee dishonesty, workers' compensation, and employer's liability for which the Library carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Ovid Public Library

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 101,000	\$ 101,000	\$ 103,280	\$ 2,280
Intergovernmental - State	6,000	6,000	2,679	(3,321)
Library fees	3,100	3,100	2,857	(243)
Interest	200	200	695	495
Penal fines	35,000	35,000	38,189	3,189
Miscellaneous	-	10,000	182	(9,818)
TOTAL REVENUES	145,300	155,300	147,882	(7,418)
EXPENDITURES				
Recreation and cultural				
Salaries and wages	60,250	60,250	63,063	(2,813)
Payroll taxes	4,450	4,450	4,992	(542)
Utilities	9,500	9,500	8,569	931
Supplies	13,000	13,000	10,779	2,221
Repairs and maintenance	5,500	8,500	4,180	4,320
Insurance	3,500	3,500	3,278	222
VERSO	5,000	5,000	-	5,000
Travel and workshops	1,500	1,500	1,570	(70)
O-E Schools	-	-	2,661	(2,661)
State Aid	1,700	1,700	2,641	(941)
Miscellaneous	800	800	793	7
Total recreation and cultural	105,200	108,200	102,526	5,674
Capital outlay				
Books and other collections	14,000	20,800	18,644	2,156
Equipment	3,000	3,200	2,250	950
Total capital outlay	17,000	24,000	20,894	3,106
TOTAL EXPENDITURES	122,200	132,200	123,420	8,780
EXCESS OF REVENUES OVER EXPENDITURES	23,100	23,100	24,462	1,362
OTHER FINANCING USES				
Transfer out	(23,100)	(23,100)	(23,100)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	1,362	1,362
Fund balance, beginning of year	76,800	76,800	76,800	-0-
Fund balance, end of year	<u>\$ 76,800</u>	<u>\$ 76,800</u>	<u>\$ 78,162</u>	<u>\$ 1,362</u>

Ovid Public Library

Building Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Local	\$ -	\$ -	\$ 2,196	\$ 2,196
Interest	50	50	144	94
Other				
Insurance	-	-	10,008	10,008
Donations	750	750	2,977	2,227
TOTAL REVENUES	800	800	15,325	14,525
EXPENDITURES				
Recreation and cultural				
Building maintenance	-	-	7,531	(7,531)
Debt service				
Principal	12,828	12,828	12,828	-0-
Interest	10,272	10,272	7,531	2,741
Total debt service	23,100	23,100	20,359	2,741
Capital outlay	800	800	950	(150)
TOTAL EXPENDITURES	23,900	23,900	28,840	(4,940)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(23,100)	(23,100)	(13,515)	9,585
OTHER FINANCING SOURCES				
Transfer in	23,100	23,100	23,100	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	9,585	9,585
Fund balance, beginning of year	11,787	11,787	11,787	-0-
Fund balance, end of year	<u>\$ 11,787</u>	<u>\$ 11,787</u>	<u>\$ 21,372</u>	<u>\$ 9,585</u>